

**SALES AND USE TAX REVIEW COMMISSION
RECOMMENDATION PURSUANT TO P.L. 1999, C. 416**

BILL NUMBER:

S-1200

DATE OF INTRODUCTION:

February 21, 2008

SPONSOR:

Senator Bucco
Senator Lance

DATE OF RECOMMENDATION:

April 17, 2008

IDENTICAL BILL:

COMMITTEE:

Senate Budget and Appropriations Committee

DESCRIPTION:

This bill removes investigation and security services from the sales and use tax.

ANALYSIS:

This Bill is proposed to amend the Sales and Use Tax Act. (N.J.S.A.54:32B-1 et seq.) to eliminate the imposition of sales and use tax on investigation and security services which became effective October 1, 2006.

The imposition of sales and use tax on certain services and goods which were previously untaxed was a major component of the budgetary legislation that provided revenue to balance the State budget. *See* P.L.2006, c. 44. This Bill represents an attempt by the Legislature to rescind portions of that legislation. The approval of this Bill will only hasten the call for similar legislation and further undermine the intention of P.L.2006, c.44, reduce State revenues and add to the State's deficit.

The Commission acknowledges the importance of homeland security and protecting critical infrastructure and assets at this time. However, this Bill is too broad as written. The Sales and Use Tax Act's definition of investigation and security services encompasses more than just security guard and patrol services. P.L.2006, c.44 defines "Investigation and Security Services" as: 1) Investigation and Detective Services, including detective agencies and private investigators, and fingerprint, polygraph; missing person tracing and skip tracing services; 2) Security Guard and Patrol Services, including bodyguard and personal protection, guard dog, guard, patrol, and security services; 3) Armored Car Services; and 4) Security Systems Services, including security, burglar, and fire alarm installation, repair or monitoring services. N.J.S.A. 54:32B-2(xx).

The Commission would support an amended version of this Bill with the following changes: Remove paragraph 2) "Security Guard and Patrol Services, including bodyguard and personal protection, guard dog, guard, patrol, and security services"; from the definition of "investigation and security services" under N.J.S.A. 54:32B-2(xx). Thus the

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tax would still be imposed on paragraphs 1, 3 and 4. As written, the Commission cannot support its passage.

RECOMMENDATION:

The Commission does not recommend enactment of this Bill.

COMMISSION MEMBERS FOR PROPOSAL: 8

COMMISSION MEMBERS AGAINST PROPOSAL: 0

COMMISSION MEMBERS ABSTAINING: 0